

MEMO OF MEMBERS

The Weekly Newsletter of the National Low Income Housing Coalition

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Resources

The State of the Nation's Housing 2003

Harvard's Joint Center for Housing Studies released its much-anticipated annual report on the nation's housing this week. *The State of the Nation's Housing 2003* finds that while housing was the one bright spot in an otherwise dismal economy in 2002, three in 10 U.S. households suffer housing affordability problems, and many inequities persist.

Many findings of the report are upbeat. The number of new homes built reached the highest level since 1978, and minorities made significant gains in home ownership along with whites. In 2002 the homeownership rate hit an all time high, with nearly 68% of Americans owning their homes. However, the report reveals there is also a darker side to the story. It finds that with little pent-up demand, housing is unlikely to lead a general recovery as it often has in past economic downturns. Instead, the continued strength of the housing sector is likely to be dependent on a recovery led by other sectors.

Even as the housing market was strong, however, rising home prices and wage stagnation meant that the number of people facing severe housing costs burdens, i.e. those spending over 50% of their household income on housing, grew substantially. In 2001, nearly 14.3 million households fell into this category, 1.5 million more than in 1997. The number of lower and lower middle income households - those in the lowest two income quintiles - paying more than 50% surged by more than 800,000 in this period. Roughly 400,000 to 500,000 homeowners were in the foreclosure process in 2002, and the mortgage debt of those aged 55

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Capitol Hill

House Holds Third Section 8 Hearing

On June 17, the House Financial Services Committee held the third in a series of hearings on the Section 8 Housing Assistance Program and the pros and cons of the Administration's proposal to block grant the program. The hearing consisted of two panels of advocates and academics.

The first panel included three witnesses who were opposed to the block grant proposal and two were in favor of the proposal, but with significant caveats. While panelists agreed that the program needs reform, they had differing opinions on how to reform the program.

Several panelists discussed the current problem of inadequate funding of the voucher program and asserted that a block grant would only exacerbate the problem. "Inadequate future funding for the block grant would dramatically undermine the broader goals of the program," Bruce Katz of the Brookings Institution said. Along with the criticism of the possible funding levels, the panelists expressed concern that states are not equipped to administer the program and that landlords would no longer want to participate in a program that does not have consistent rules and regulations. Ranking Member Maxine Waters (D-CA) said she plans to consider ways to create incentives to attract and keep landlords involved and evaluate how the current proposal will impact landlords. Representatives David Scott (D-GA) and William Clay (D-SC) agreed that states are not

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POINT OF VIEW

by Sheila Crowley, President

In the post 9/11 era, Americans are more ambivalent to the erosion of basic freedoms than we were before we lost our collective sense of invincibility. But feelings of ambivalence are warning signs that something is going on that needs to be examined, not ignored. Two recent court decisions that involve housing should be troubling to those who care about the fundamental value of liberty. Yet the public reaction to these decisions, to the extent the public has reacted at all, seems to be either acceptance or neutrality.

The first is the 9-0 U.S. Supreme Court decision on June 16 that rejects the claim that the policy of the Richmond Redevelopment and Housing Authority (RRHA) to ban trespassers from the streets and sidewalks where public housing is located is an unconstitutional violation of the First Amendment. As part of its drug elimination strategy, in 1997 RRHA convinced the City of Richmond to deed the publicly owned streets and sidewalks in public housing complexes to the housing authority, essentially privatizing public property, in order to be able to bar people who were not residents from being in public housing communities. Kevin Hicks, whose mother and children lived in public housing, received a letter from the housing manager of their complex telling him he was barred from RRHA property with no explanation as to why. Two appeals to the housing manager to have his ban lifted were denied. He was arrested and convicted for trespassing three times while trying to visit his family, the last time in 1999. He appealed the conviction; the Vir-

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HOUSING COALITION

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to 64 nearly doubled from 1989 to 2001. Though delinquencies and foreclosures continue to make up only a small proportion of active mortgages, they rose significantly between 2001 and 2002 and are now at record levels. And despite strong gains in minority homeownership, the gap between white and black homeownership rates remains largely unchanged from the 1960s.

The problems of low income renters remain abysmal. In 2001 there were 9.9 million renter households with incomes in the lowest 20 percent of the income distribution, but only 7.9 million units affordable to these households. The low income housing crisis was made even more acute by the fact that 2.7 million of these affordable units were occupied by higher income households. The building trends within rental markets offer little reason for optimism. The already scarce supply of smaller, less costly housing is shrinking, with especially sharp losses among two- to four-unit apartment buildings. Half the major metropolitan center cities that lost population in the 1970s or 1980s gained population in the 1990s, raising concerns about gentrification and the lack of affordable housing outside these areas in most of these regions. The Northeast had a net loss of approximately 264,000 rental units since 1993, while the Midwest lost 240,000. Despite these disturbing trends, today only 34% of the nation's 9.9 million lowest income renter households—those in the very bottom fifth of the income distribution—receive assistance to help offset the gap between what housing costs and what they can afford.

The report also incorporates NLIHC's *Out of Reach* data, reporting that the current housing wage—the amount a person has to earn to afford a modest apartment at 30% of his or her income—is more than triple the minimum wage in 24 metro areas and 12 non-metro counties.

This year's report also includes 10 appendix tables. Of particular interest to NLIHC members are the last two tables: Table 9 provides a breakdown of lowest income households by housing cost burdens and by age, race/ethnicity, family type, tenure, region of the country, and whether the household is located in a city, suburb or rural area. Table 10 is a comparison of housing problems such as cost burdens, crowding, and inadequate units across income quintiles. Other tables provide income, housing cost data, and housing market indicators from 1975-2002.

NLIHC is a sponsor of the *State of the Nation's Housing 2003*. The report is available at <http://www.jchs.harvard.edu/publications/markets/son2003.pdf>.

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equipped to administer this program. As both were state legislators before joining Congress, they said they feared that, given the current fiscal crises that states are experiencing, states would use the block grant money to reduce deficits in areas other than housing. Mr. Scott pointed out that the current HUD proposal does not have legislative safeguards to prevent states from adding the money to the general treasury, and raised the concern that many states are obligated to balance the budget and that this money could be a tempting source of revenue for other purposes.

Representative Artur Davis (D-AL) said that the current proposal does not have goals or requirements, and he suggested that grant money should not be issued to any entity without such goals and requirements. Mr. Davis also asserted that the Administration is amiss in its argument that the block grant proposal would decentralize the program. He argued that the current program is already decentralized to the lowest level—the local level. Conrad Egan of the National Housing Conference agreed. “The local level will not benefit,” he said. Jill Khadurri of Abt Associates, Inc., and Howard Husock of Harvard University recommended that states participate in experiments to determine new and innovative ways to administer the program, including imposing time limits. Representative Mel Watt (D-NC) criticized such recommendations. “It is sad that you still want to experiment with poor people,” Mr. Watt said.

In his testimony, Mr. Husock criticized the voucher program and supported the block grant proposal. His testimony included statements from African-American homeowners from the suburbs of Chicago criticizing what they viewed as the social ills of voucher holders. The statement included disparaging remarks regarding voucher holders' children being unattended and misbehaved, as well as comments that voucher holders owned large radios described as “boom boxes” and that there was a tendency by voucher holders to play such radios at high volume. Mr. Husock said that these homeowners “thought they'd left the ghetto behind—only to find that the government is subsidizing it to follow them.” Several of the committee members, including Ms. Waters and Representative Lydia Velazquez (D-NY) made it clear to Mr. Husock that they found his testimony to be racially charged and offensive. Mr. Husock's testimony prompted Mr. Davis to ask how advocates could better educate the public about the program. Margery Turner of the Urban Institute responded that there is a large amount of discrimination towards voucher holders and that trying to get the public to see this program in a positive light is no small feat.

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National Housing Trust Fund Trust Fund Advocates to Join 40th Anniversary of 1963 March

The National Housing Trust Fund Campaign will be on the legislative agenda when thousands of people from across the country come together in Washington on August 23 to march in honor of the 40th anniversary of Dr. Martin Luther King's 1963 March on Washington. The Trust Fund will be included in the platform that march organizers will prepare to call for social and economic justice. The Bringing America Home Act, which includes a National Housing Trust Fund title, will also be part of the platform. Details will be forthcoming, but advocates are urged to mark their calendars now to join the call for housing justice in Washington in August.



In endorsement news, the National Housing Trust Fund Campaign welcomes the Feminist Majority Foundation, the National Electrical Contractors Association, and the Sheet Metal and Air Conditioning Contractors' National Association as national endorsers this week. More information is at www.nhtf.org.

News & Events

National Alliance for the Mentally Ill

The National Alliance for the Mentally Ill's 2003 Annual Convention will be held from June 28 through July 1 in Minneapolis, MN. The theme of the event is *Partnerships for Recovery: Confronting the Mental Health Crisis in Our Communities*. Details are available at www.nami.org.

Fact of the Week

Units of Available Low-Cost Housing

Number of renters with incomes in the lowest quintile of income distribution: 9.9 million

Total number of units affordable to these renters: 7.9 million

Number of these units occupied by higher income

Tell Your Friends...

NLIHC membership is the best way to stay informed about affordable housing issues, keep in touch with advocates around the country, and support NLIHC's work. Membership information is available at www.nlihc.org, or by fax, mail, or e-mail. Just e-mail membership@nlihc.org or call 202-662-1530 to request membership materials to distribute at meetings and conferences.

HUD

New Ass't Sec for Congressional and Intergovernmental Relations

On Friday, June 13, HUD Secretary Mel Martinez swore in Steven B. Nesmith as HUD's new Assistant Secretary for Congressional Relations. Mr. Nesmith was appointed by President Bush and confirmed by the Senate on May 22. Prior to coming to HUD, Mr. Nesmith worked for the Economic Development Administration of the Department of Commerce as a Deputy Assistant Secretary.

Reducing Regulatory Barriers

HUD announced earlier this month an initiative to focus on reducing regulatory barriers by binding existing HUD resources to develop a means of measuring and reducing excessive barriers restricting the development of affordable housing. As part of that effort, HUD will continue to collect and analyze federal, state, and local regulations and procedures. The initiative is also to include regular input from senior officials throughout HUD. Last year, HUD created the Regulatory Barriers Clearinghouse, a web-based forum meant to offer developers from around the country the ability to share ideas for overcoming state and local regulatory barriers.

New HUD Website in Spanish

In an effort to help more minorities access information on HUD programs, HUD Secretary Mel Martinez announced the launch of a new Spanish-language website, <http://espanol.hud.gov/>. The website is similar to www.hud.gov, offering homebuying and rental tips, including rental information, list of available HUD homes, loan counseling and financial resources.

Update from the Field

Huge Ohio Victory

Giving evidence of the virtues of persistence, housing advocates in Ohio, lead by the Coalition on Homelessness and Housing in Ohio (COHHIO), are celebrating the passage of legislation to create a dedicated source of funding for the Ohio Housing Trust Fund. Ten years of unrelenting work to establish a recordation fee to capitalize the state housing trust fund will result in \$90 million for housing in the next two years. Congratulations!

For more information, contact COHHIO at 614-280-1984.

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Mr. Husock also testified that the voucher program encourages single parenthood and dependency. He used questionable statistics to assert that the TANF and voucher populations overlapped. Mr. Watt questioned his claim that the overlap between voucher recipients and TANF recipients justified a state-administered block grant in the model of TANF. Several panelists criticized the premise of HUD's block grant proposal (titled Housing Assistance For Needy Families, or HANF) that TANF and the voucher program serve the same clients. Mr. Katz said that the voucher program "serves a much broader universe of households than welfare and deserves to be considered on its own merits."

The second panel included NLIHC's President, Sheila Crowley; Henry Marraffa, Jr., a member of the Gaithersburg, MD, Council on behalf of National League of Cities; Ann O'Hara of the Technical Assistance Collaborative on behalf of the Consortium for Citizens with Disabilities Housing Task Force; and John Sidorwith the Helix Group. When asked by Chairman Bob Ney (R-OH) how would she improve the voucher program, Ms. Crowley responded that Congress should authorize regional consortia of voucher administrators, especially in areas that serve small populations. She also urged Congress to pass the National Housing Trust Fund. "The success of the voucher program depends on the availability of safe, decent, and affordable housing," she said.

Several of the panelists refuted the Administration's arguments for creating the proposal by pointing out that utilization rates are at unprecedented high levels and that the voucher program has created better lives for many low income Americans.

The committee next plans to hold field hearings on the voucher program, beginning in Los Angeles on July 1.

Production Debate On House Floor

On June 17, the House of Representatives passed a joint resolution expressing the sense of Congress that "everyone in the United States should have a decent home in which to live" and that "Congress should participate in and support activities to provide decent homes for the people of the United States." The resolution is in concert with "Congress Building America," a collaborative of Members of Congress, Habitat for Humanity, HUD, and non-profit and corporate sponsors to promote volunteerism and the production of new, affordable single-family homes. The resolution passed the Senate in May.

The resolution charges Members of Congress, Habi-

tat for Humanity, and other organizations in both the 108th and 109th Congresses with sponsoring and constructing two homes in the Washington, D.C., metro area, and includes other provisions supporting the production of affordable housing.

Having the resolution on the House floor for passage created an opportunity for Members to address the need for more government attention to affordable housing programs, especially production. Representative Barney Frank (D-MA) said he considered this resolution to be a poor substitution for a real production program. He said the resolution was well-intended, but he stressed the lack of federal commitment to affordable housing production. He also asserted that other federal programs, such as the Section 8 voucher program, were useful in providing affordable housing, but were not enough. "A sensible, well-funded production program, where the government contributes along with the private sector an element of subsidy so that new housing can be built in many parts of the country, is the only way this resolution will be more than just empty rhetoric," Mr. Frank said.

Representative Bernie Sanders (I-VT) took the opportunity to discuss H.R. 1102, the National Housing Trust Fund legislation of which he is the sponsor. Mr. Sanders also applauded the intentions of the resolution, but he too emphasized the existence of a housing crisis and the need for a National Housing Trust Fund. "It would be very nice if Members of Congress worked together to build a few hundred units of affordable housing," Mr. Sanders said. "The problem is that in the United States of America today, we have a housing crisis, and we do not need a few hundred units of new housing, we need hundreds of thousands of units of new housing." Mr. Sanders asserted that if the Administration were truly concerned about affordable housing, it would support the National Housing Trust Fund.

Other Members, including Representatives Maxine Waters (D-CA) and Barbara Lee (D-CA) supported the resolution, while calling for significant housing legislation that addressed production, predatory lending, and other initiatives.

Several of the Members said there was a housing crisis in America, including Representative Gary Miller (R-CA), who said that while he agreed there was a need for federal subsidies, he believes the real solution to the crisis is less federal regulation. He and other members, including Representatives Bob Ney (R-OH) and James Walsh (R-NY), also spoke in support of homeownership and applauded the Administration on its efforts to increase homeownership opportunities for low income and minority families.

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House Passes Estate Tax Repeal

On June 18, the House voted to approve H.R. 8, to permanently repeal the estate tax. The tax is one of the most progressive the federal government levies; it currently affects only those who leave a taxable inheritance of \$1 million or more upon their death. The vote for repeal came largely on party lines, with four Republicans voting against repeal and 41 Democrats voting for. The repeal effort will now face a much tougher battle in the Senate, where filibuster rules mean that abolitionists will need to find 60 votes for repeal. United for a Fair Economy estimates that repeal would cost \$1 trillion dollars in lost federal revenue over the next 20 years.

Representative Earl Pomeroy (D-ND) offered an alternative amendment, which would have raised the exemption from \$1 million for both individuals and couples to \$3 million for individuals and \$6 million for couples. Mr. Pomeroy's amendment would have taken effect in 2004, whereas H.R. 8 would not take effect until 2010. The amendment failed 188 to 239.

Mr. Pomeroy joined United for a Fair Economy and other speakers at a Washington press conference on June 17 to bring attention to irresponsibility of abolishing the tax and urge reform of the tax, not repeal. At the event, William Gates Sr., father of Microsoft founder Bill Gates and co-author of *Wealth and the Commonweal: Why America Should Tax Accumulated Fortunes*, reflected on the current \$400 billion federal deficit, asking why the government was further burdening the American people by removing an important source of revenue in the wake of the Administration's tax cuts. Surely, Mr. Gates said, a modest estate tax is realistic considering that \$41 trillion in inherited wealth will move across generations in the next several decades. Mr. Gates and United for a Fair Economy have worked to collect the signatures of many of those subject to the tax on a petition calling for its preservation.

Opponents of the estate tax have tried to portray it as disproportionately affecting farmers, ranchers, and small business owners, but Tom Buis of the American Farmer's Union denied that this was the case. "[Repeal] could come back and adversely affect farmers very quickly," he said. Cuts in funding to farmer's programs have followed two years of unfavorable natural conditions, and the situation will only be exacerbated by further deficits, he said. Seth Goldman, CEO of Honest Tea, protested the use of small businesses as a pawn in what amounts to another tax cut for a small minority of extraordinarily wealthy families. "I hope that someday our business will reach the level where my children will feel the pinch of paying the

estate tax. But should we be fortunate enough to feel that pleasant pinch, it won't compare to the pinch felt by the 12 million low income children left out of the massive tax cut enacted earlier this month," Mr. Goldman said. "The claim that the estate tax will be a disincentive for small business owners just doesn't seem honest."

More information is available at www.ufenet.org.

Special Committee on Aging Holds Section 202 Hearing

On Tuesday, June 17, the Senate Special Committee on Aging held a hearing to focus on unexpended funds in the Section 202 program. The Section 202 program provides funds to nonprofit organizations that develop and operate housing for seniors, as well as rental assistance to seniors. According to Committee Chair Senator Larry Craig (R-ID), bureaucratic treatment of nonprofit organizations and HUD's application process has contributed to what is expected to be an unexpended appropriation of \$5.2 billion by FY05.

Senator Craig said in his opening statement that there are 3.3 million elderly low income households in the United States, yet only 1.3 million receive any type of government assistance. He noted that the most urgent housing problem the elderly face is affordability, and said management problems in the Section 202 program are slowing the process of solving that dilemma.

Panelists agreed that setbacks in the program have occurred for a number of reasons, including an overly complicated application process, developers receiving insufficient funds for projects, a variation in procedure among different local departments, lack of staff training, and an overall time lag between submission of proposals for development and reception of funds by nonprofit organizations. Cynthia Keller of Volunteers of America, testified that approximately 90% of the projects her organization has worked on needed additional funding, but the program required that before they could receive more funds from HUD, the organization had to show proof they first attempted to receive funding from elsewhere, thus increasing costs by delaying the completion of development projects.

Lee Ann Hughbanks, of Plano Community Homes of Texas, testifying on behalf of the American Association of Homes and Services for the Aging (AAHSA), suggested that HUD publish sample seed-money costs in its annual Notice of Funding Availability as a tool to help nonprofits in determining their fund eligibility. AAHSA also recommended that HUD pay more attention to real world development costs in their disbursement of funds for land and pre-development costs.

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John Weicher, HUD's Assistant Secretary for Housing and Federal Housing Commissioner, emphasized that while projects that have exceeded HUD's time guidelines for completion account for 14% of unexpended funds, the problem still requires great consideration. Mr. Weicher noted that during FY02, HUD provided training to field staff for the first time in 10 years. He also stated that his main priority is reducing and eliminating the pipeline of backed-up Section 202 projects, as well as implementing improvements to make the processing of applications consistent nationwide.

A recent General Accounting Office (GAO) report on the Section 202 program recommended program improvements that included changing the current method for which HUD calculates capital advances, and providing regular training to staff.

First Rural Housing Hearing in a Decade Held

Representative Rick Renzi (R-AZ), sitting in for Chair Bob Ney (R-OH), opened a June 19 hearing on rural housing issues in the House Subcommittee on Housing and Community Opportunity by noting that the hearing was the first of its kind to be held in 10 years. Mr. Renzi said that the subcommittee was concerned about the level of coordination of programs in rural areas. He also expressed his own strong commitment to supporting homeownership in rural areas. Ranking Member Maxine Waters (D-CA) and Representative Barbara Lee (D-CA) noted the tendency of the subcommittee and members from metropolitan regions to focus on urban housing issues, despite the fact 189 of the 200 poorest counties are rural. Ms. Waters said she was particularly concerned about the status and future of Section 515 rental properties and the possible displacement of tenants living in those properties.

Hailing from a significantly rural district with five of the poorest counties in the country, Representative Artur Davis (D-AL) said he had "sticker shock" over the President's budget, not because it was too high, but because it was so low and eliminated important programs for rural areas. He noted that the budget reflects the Administration's values, indicating the Administration's priorities.

The subcommittee heard from seven witnesses. The first witness, Phyllis Fong, Inspector General for the U.S. Department of Agriculture (USDA), described six management and related challenges faced by the agency's Rural Housing Service (RHS): portfolio management; unallowable and excessive expenses charged to rural rental housing properties; properties leaving

the program; rental assistance; allocation of funds to rural areas; and performance measures. Ms. Fong elicited a gasp from the audience when she described the agency's inability to track its own performance accurately, leading it to report that RHS multifamily loans had supported the development of 6,500 units when only 222 had been built. Effective preservation of multifamily rental housing will require tracking incentive payments and rehabilitation needs carefully and Ms. Fong noted deficiencies in this effort.

William Shear of the General Accounting Office (GAO) provided testimony based on GAO's reports from September 2000 and May 2002. Mr. Shear said that changes in the urban environment—namely the encroachment of suburban sprawl—raise questions about whether rural housing programs should be operated separately from HUD and other agencies. He also said that RHS lacks a mechanism to prioritize the rehabilitation needs of its multifamily rental housing, and so is unable to make a budget request for rehabilitation. Ms. Lee inquired about whether rural areas had a need for rehabilitation solely or also production, and Mr. Shear was unable provide a definitive answer. Mr. Davis pointed out that while the homeownership rate in rural areas is high, the quality of those homes may be very poor. Ms. Waters and Mr. Renzi also raised concerns about the quality of housing options in rural America and Ms. Waters requested that GAO provide comprehensive data on the issue.

The second panel represented organizations having direct experience with RHS programs. Several of these panelists, when asked by Mr. Ney whether RHS was doing a good job, complimented the agency and noted that lack of funding was its major handicap. Nevertheless, specific concerns were raised about USDA's commitment to preserving its existing rural rental stock. Gideon Anders of the National Housing Law Project described four problems in RHS's administration with respect to preservation. First, the agency does not devote sufficient resources in the Section 515 program to preservation. Second, RHS is not using its existing authority to preserve housing, allowing owners to take advantage of loopholes that could be closed. Third, RHS has not been enforcing the obligation that owners continue to rent to low income people after prepayment in cases where that obligation exists. Finally, in litigation, RHS is not making the efforts it could to prevent prepayments, given that owners' prepayment rights are legally restricted. Betty Bridges of the Coalition for Affordable and Rural Housing (CARH) said that owners' prepayment rights should be restored, though she asserted that most owners would like to preserve the housing and would like to take advantage sources of refinancing difficult to access under the current system. *(See Capitol Hill on p. 7)*

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During the second panel, Patty Griffiths of the Community Action Commission of Fayette County, OH, representing the Housing Assistance Council, said that affordability has become a bigger problem than housing quality in rural areas, with nearly a quarter of nonmetro households considered cost-burdened. In particular, a disproportionate share of renters are cost-burdened. Joe Myer of NCALL Research in Delaware and testifying on behalf of the National Rural Housing Coalition reiterated concerns about the need for preservation and production of rural rental housing. Mr. Myer cited GAO's estimate that one-quarter of Section 515 rural rental housing is subject to prepayment, putting 100,000 families at risk of displacement should prepayment restrictions be lifted. These families have average annual incomes of approximately \$8,000 and lack housing alternatives, Mr. Myer said. More than half are elderly or disabled.

Ms. Waters urged housing advocates and her colleagues from rural areas to become more vocal about rural housing needs, and said rural and urban legislators should work together in the effort. Mr. Ney said he hoped the hearing would give energy to the issue. A future hearing is planned with more testimony from USDA.

House Subcommittee Marks Up Rural Housing Programs

On June 17, the House Agriculture Appropriations Subcommittee marked up a bill to fund the USDA rural housing programs for FY 2004. The full Appropriations Committee is expected to take up the measure on June 24 or 25. Full details are not yet available, but the National Rural Housing Coalition reports that the Subcommittee generally followed the administration's budget request. The most important item is probably a substantial increase in Section 502 direct single-family loans to \$1.366 billion, as recommended in the President's budget. If enacted, this would be the biggest request and increase in the Section 502 direct loan program since 1993.

In other good news for housing advocates, the Subcommittee rejected the budget proposal's request to cut Section 515 rural rental housing sharply to \$71 million. Instead, the mark up set 515 funding at \$115 million, the FY03 level. About half of this amount would be designated for preservation and rehabilitation. In other rural housing programs, rental assistance would get \$730 million and farm labor housing \$37 million.

USDA Hosts Rural Housing Summit

On June 16, the U.S. Department of Agriculture (USDA) held a National Rural Housing Summit to discuss ways

of increasing rural minority homeownership. The summit featured presentations by federal administrators, members of Congress, secondary market representatives, rural housing advocates and direct beneficiaries of USDA and HUD rural loans.

To fulfill President Bush's mandate to increase minority homeownership, USDA Under Secretary for Rural Development Thomas Dorr explained that the cooperation of housing financiers, federal agencies, and affordable housing providers is essential. Federal Housing Administration (FHA) Commissioner John Weicher also highlighted this need for cooperation and joined Under Secretary Dorr in presenting the FHA TOTAL Mortgage Scorecard, which will help expand access to mortgage credit for rural households.

Also in the spirit of cooperation, USDA Secretary Ann Veneman and HUD Secretary Mel Martinez signed a memorandum of understanding pledging that USDA will "coordinate with HUD to pursue strategies for affordable housing in the border regions." Representative Henry Bonilla (R-TX) described the need for increased homeownership in the Southwest and Colonias and commended Secretaries Veneman and Martinez for their commitment. Mr. Bonilla also discussed how his bill in the House, the Colonias Gateway Initiative Act, would complement the Secretaries' agreement by further promoting affordable housing in the Colonias.

Representative Jo Ann Emerson (R-MO), former Chair of the Rural Caucus, gave the keynote address. "I do not believe that we can compartmentalize the problems rural communities face," she said. "There is no question that a single mother's capacity to not afford health insurance is affected when more than 30% of her income goes toward housing costs." Ms. Emerson called for the expansion of CRA, higher paying employment opportunities in rural areas, and a broad "coordinated strategy" to address the affordable housing crisis across America. Linking the need for more housing with the need for jobs, Ms. Emerson stated that "housing production does create jobs" while addressing the housing needs of workers and low income families.

Representatives Bob Ney (R-OH) and Allen Boyd (D-FL) joined Ms. Emerson in describing the need for affordable housing in their rural districts. As Chair of the House Financial Services subcommittee on housing, Mr. Ney outlined how the subcommittee will "look at housing from every aspect" and address the affordability crisis. "Whatever the cause, we're going to be there to promote it," Mr. Ney said. Mr. Boyd further outlined Congress' commitment to alleviating the affordable rural housing crisis and congratulated low income families who have been able to obtain loans

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to purchase their first home.

To help adults enhance their financial skills in preparation for homeownership, Mr. Dorr and Donald Powell, Chairman of the FDIC, signed a memorandum of understanding concerning the course “Money Smart.” FDIC will help train USDA employees to deliver this course to mortgage applicants.

Appropriations News

The Senate Appropriations Committee met June 19 to set its “302(b)” allocations, providing budget authority levels for its subcommittees. The VA-HUD Appropriations Subcommittee has identical allocations in the House and Senate. At \$90.034 billion, this number is \$600 million above the President’s request. Given the competing demands within the subcommittee, ranging from HUD to Veterans Affairs (VA)—particularly VA health care spending—to NASA, even the slight boost above the President’s level will not meet all needs. Indeed, given the support for restoring HOPE VI funding and the likelihood of a significant shortfall in funding for vouchers under the President’s request, based on probable costs and utilization levels, HUD itself would need the entire additional \$600 million and more.

Along the same lines, *CQ Today* reported that Senator Robert Byrd (D-WV), ranking member of the Appropriations Committee, noted his dissatisfaction with the overall discretionary spending levels. Senator Byrd told the committee that the budget resolution chose tax cuts over needed programs. The Senator offered an amendment that failed on a party-line vote that would have increased the overall spending cap by reducing tax cuts for millionaire elites.

Reports are that the markup in the House subcommittee of the VA-HUD spending bill will take place the week of July 9, with a full committee markup the week after, but the markup process could begin later.

More on Waste, Fraud and Abuse

Continuing his crusade in search of waste, fraud and abuse in federal programs, Budget Committee Chair Jim Nussle (R-IA) held a hearing about mandatory federal programs on June 18. In his prepared statement, Mr. Nussle said that mandatory discretionary programs, excluding Social Security, had grown 37.4%, along with similar growth in the discretionary side of the budget. But, according to Mr. Nussle, oversight failed to keep pace with spending, a situation that Mr. Nussle said was of particular concern with respect to mandatory programs because of the automatic nature of their spending. Mr. Nussle also announced the creation of an on-line mechanism at the Budget Committee’s

website through which citizens’ could report observations of waste, fraud and abuse.

The Comptroller of the United States, David Walker, testified on behalf of the General Accounting Office (GAO) about programs that GAO had determined susceptible to waste, fraud, abuse and mismanagement. Mr. Walker also recommended streamlining of some programs and a broad review of the way in which federal programs are carried out. He cited low income housing as an area in which federal funds shift to the control of other levels of government or organizations. Although the hearing focused on mandatory spending, Mr. Walker identified overpayments of rental subsidies—a discretionary program—as a problem GAO had reviewed. Mr. Walker said that underreporting of income by tenants was to blame for a significant share of the overpayments. Mr. Walker also noted that GAO had identified risks HUD faces in its single-family mortgage program.

The other witness, Robert S. McIntyre from Citizens for Tax Justice, sought to draw the committee’s attention to the subsidization of corporations through the tax system, which he identified as “the most objectionable and fastest-growing area of wasteful tax-based spending programs.” Recent tax cuts have only exacerbated this problem, according to Mr. McIntyre. He urged the committee to eliminate the double standard and look at tax-based entitlement programs with the refundability of the child tax credit for lower income families. But the standoff appears to continue between the House’s \$82 billion bill that provides more immediate tax breaks for higher income families, in addition to expanding the child tax credit to lower income families, and the Senate’s more straightforward \$10 billion bill focused on lower income families with children. A report in the *Post* notes that a conference on the bills will start before the July 4 recess.

New Legislation

On June 13, Senator Chuck Hagel (R-NE) introduced S. 1263, which was referred to the Senate Finance Committee. The bill amends the Internal Revenue Code of 1986 to exclude from gross income interest received on loans secured by agricultural real property.

Representative Chris Smith (R-NJ) introduced legislation to provide for consolidation and improvement of programs to assist homeless veterans, and for other purposes. H.R. 2518, was referred to the House Committees on Veterans’ Affairs and Government Reform.

Bills at a Glance

Current information on legislation being tracked by NLIHC is available through NLIHC’s new legislative action center, at <http://capwiz.com/nlihc/issues/bills/>.

Point of View *(cont'd from p. 1)*

ginia Supreme Court, ruling that the policy was overbroad, overturned it and its decision was upheld by the U.S. Court of Appeals. The U.S. Supreme Court ruled on a very narrow question and remanded the case back to the Virginia Supreme Court to decide on several other challenges Mr. Hicks has made to the policy. Mr. Hicks's attorney thinks the other challenges are actually more persuasive.

A week earlier, a New York State appeals court sided with the City of New York in overturning the longstanding consent decree that the city must provide emergency shelter to everyone who needs it unless they were breaking the law. Now staff of all city-run shelters or shelters with which the city contracts that serve single people and that collectively provide shelter for 8,200 people at a time can ban someone from shelter for at least 30 days for failing to comply with service requirements or for "disruptive" behavior. The decision will be appealed.

In both cases, government has responded to the negative behavior of a few people by setting policies that have impose sweeping controls on large numbers of people. As a result, freedoms are curtailed – the right to be on public property, the right to free association, the right to participate in treatment decisions, the right to consent to treatment plans.

Let me be clear. I do not think that rights are somehow more sacred than responsibilities. People have as much responsibility to behave in a non-threatening manner as they have the right to expect to be treated in a non-

threatening manner. I do not think that people who are violent or threatening should be allowed to menace public housing neighborhoods, homeless shelters, or anywhere else for that matter. There are laws against criminal behavior, they should be enforced, and there should be consequences. But indiscriminate policies – barring many people to keep out the few; mandating participation with threats of expulsion – are unfair and ultimately ineffective, if the intent is to help people. They should provoke outrage among us- outrage about what is happening to the people directly affected and outrage at what it means for our own freedoms some day.

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About NLIHC: Established in 1974, the National Low Income Housing Coalition is dedicated solely to ending America's affordable housing crisis. NLIHC educates, organizes, and advocates to ensure decent, affordable housing within healthy neighborhoods for everyone. NLIHC provides up-to-date information, formulates policy, and educates the public on housing needs and the strategies for solutions.

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